

What is Good and What is Right:

Ethics in Montana Municipal Government

by

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## **Abstract**

To determine the effects of a formal ethics program on observations of misconduct, reporting of misconduct, and perception of ethical culture, two Montana First Class cities were selected to study. A 38-item survey was utilized and independent-samples *t* tests were calculated. Three years after implementation, a formal ethics program made a significant difference in Ethics Code Awareness, Perceptions of Ethics Program Effectiveness and Perceptions of Access to Ethics Information. No significant differences were found between employee groups on Ethical Decision-Making, Perceptions of Ethical Resources Scale – Time and Money, Perceptions of Informal Ethical Norms, and Perceptions of Ethical Leadership. There were no significant differences in observations of misconduct or reporting of misconduct among the employee groups.

*Keywords:* ethics, ethics program, ethical culture, misconduct

## Chapter 1

### Background

In today's polarized political environment, it is commonplace to open a newspaper and discover a story highlighting the ethical violations of an elected official or government employee. Ethics news stories quickly gain national, and occasionally, international attention. Examples have included ethics investigations into campaign practices, public employee's use of personnel to perform manual labor on private property during work hours, accepting gifts, and using public office for private gain. Public mistrust of government is at a record high, the tea party is demanding a smaller and more efficient government, and procedure hawks are challenging government decisions through litigation. The perception of compromised ethics is a significant obstacle to small municipal governments in delivering essential services effectively. And it is not getting any easier. Issues facing local government will continue to grow more complex as a result of a devolving federal system, changing demographics, economic hard times, and declining resources and revenues.

A Pew Research Center (2010) study reported that Americans are less positive and more critical of government than in the past. Paralyzing partisan politics, public discontent, an on-going economic recession, and criticism of Congress and elected officials are all contributing to distrust in government. The study revealed that just 22% say they can trust the government in Washington D.C. and 51% now see the impact of their local government as positive, down from 64% in 1997 (Pew Research Center for the People & the Press, 2010).

The 2007 National Government Ethics Survey, along with supplemental research reports completed by the Ethics Resource Center in 2010, introduced areas for risk management in the

ethics arena. Research has shown that well-implemented ethics and compliance programs double reporting and lower the rate of misconduct (ERC, 2008). A strong ethical culture also increases reporting and cuts misconduct in half (ERC, 2010). When both a well-implemented ethics and compliance program and a strong ethical culture are in place, misconduct drops by 60% and reporting rises by 40% (ERC, 2008). Additional research shows a connection between lawful, ethical conduct and productivity in the workplace. In times of scarce and limited resources, productivity is increasingly important in providing effective government services (LRN, 2007). With historically low rates of trust in government at federal, state, and local levels, the present time is ripe to research the effectiveness of ethics programs and their impact on municipal government.

A study of an ethics initiative in City of Denver (Jovanic, 2007) was conducted to determine how talking about ethics contributes to an ethical culture. The Denver study points to the need to include a variety of interventions to address ethical culture from a systems and communications perspective. The ERC (2008) defines a comprehensive ethics and compliance program as one that includes a code of conduct, a way to report observed violations anonymously, a mechanism for employees to seek advice on ethical matters, training for all employees on code of conduct and ethics policies, a mechanism to discipline employees that violate the code or ethics policies, and evaluation of ethical behavior as a part of regular performance appraisals. All six of these factors must be present for a comprehensive approach. An additional study of ethics training (Frisque & Kolb, 2008) documented that ethics training had a significant effect on employee's attitudes and knowledge, but that the training was not significantly effective over a period of time (after ninety days in this study). These results bring into consideration the frequency of ethics trainings for changes in attitudes, knowledge and skills

to remain significant. Pelletier & Bligh's study (2006) researched preconditions for ethics program effectiveness. The study examined the importance of ethical leadership, formal ethics codes, and informal ethics norms in influencing employee perceptions. Results suggested that employee perceptions of the organization, ethical leadership, and informal norms were related to their perceptions of ethics program effectiveness. The authors recommended that organizations take steps to ensure that the organization's leaders model the espoused values to enhance perceptions of effective ethics programs.

It may not be sufficient for employees to simply perceive that ethics programs are effective; this study is interested in whether a municipal government translates the implementation of ethics programs into behavior (observations of misconduct and reporting misconduct) and strength of ethical culture.

## **Problem Statement**

It is unfortunate that within the current climate of mistrust in government, the National Government Ethics Survey (ERC, 2008) demonstrated that misconduct in government is very high. One in four government employees works in an environment conducive to misconduct. Strength of ethical culture in government is declining while pressure to commit misconduct is growing (ERC, 2008). Local governments across the USA provide essential services to the public which include water and sewer systems, police, fire, and libraries. When the public lacks trust in their local elected officials, it is difficult to provide these services effectively. Raising rates to cover costs becomes suspect, and a pro-active approach to planning in municipal government is challenging when officials' motives are questioned at every step. Effective ethics and compliance programs that reduce misconduct, along with the establishment of strong ethical

culture, may be part of the solution to the rift between public perceptions of mistrust and providing essential government services.

In Montana, elected officials, appointed officials, and government employees are bound by the Montana State Code of Ethics (MCA 2-2-101 – 2-2-144). However, most are not supplied with a copy of the Code or training regarding the Code. An informal survey of municipal clerks in Montana revealed that 75% of municipalities do not give new employees a copy of the Montana State Code of Ethics upon hire and 93% of municipalities provide no training on ethics to their employees (survey initiated by this researcher, conducted by *Survey Monkey*, October 2011, emailed by list serve to 129 Montana municipalities, 45 responses or 35%).

Where national ethics surveys have contributed to research findings collectively among local, state and federal governments (ERC, 2008), little has been done to study individual units of government and the effectiveness of local ethics programs. Three studies previously mentioned (Jovanic, 2007; Frisque & Kolb, 2008; Pelletier & Bligh, 2006) recommended additional research into the effectiveness and impact of ethics trainings on employees and ethical culture.

The purpose of this research study is to determine the effects of a comprehensive ethics and compliance program on observations of misconduct, reporting of misconduct, and the perception among employees of a strong ethical culture. The current pilot study will add to the knowledge base of local ethics programs and their effectiveness in creating a strong ethical culture in municipal government.

In the state of Montana, there are 129 incorporated cities and towns, and 56 counties. The results of this study may serve to guide the development and/or improvement of ethics and

compliance programs in municipalities and counties across the state. Research suggests that municipal governments, taking active steps in implementing ethics training programs and strengthening ethical culture, can make a significant difference in ethics risk management and restoring public trust (ERC, 2008).

## **Research Questions**

A review of the literature and research studies, along with an interest in the effects of comprehensive ethics and compliance programs on municipal government, leads the researcher to the following questions:

1. Do employees of municipal governments with ethics and compliance programs observe a significantly lower rate of misconduct than municipal governments who do not have such programs in place?
2. Do employees of municipal governments with ethics and compliance programs demonstrate a significantly higher rate of reporting misconduct than municipal governments who do not have such programs in place?
3. Do employees of a municipal government with an ethics and compliance program in place perceive the ethics program as effective?
4. Do employees of municipal governments with ethics and compliance programs perceive a stronger ethical culture in their work environment than employees of municipal governments who do not have a formal ethics program in place? This question includes the variables of perceptions of ethical code awareness, ethical decision-making processes, perceptions of ethical resources scale (information, time and financial resources),

perceptions of informal ethical norms, and perceptions of ethical leadership (all factors in the Pelletier & Bligh *Perceptions of Ethical Climate* assessment, 2006).

### **Limitations and Delimitations**

This research study will be conducted as a pilot study selecting a random sample of employees in two Montana First Class municipalities. If the random sample is not representative of all layers of employees (top, middle, direct service), the results may not be generalized to the employee population at large (Delimitation).

The following limitations have been considered for this pilot study. The “cultures” of the two communities may differ. If one town’s population differs in terms of educational levels, in their demands for ethical behavior from their public servants, or if ethics has been in the forefront of politics in the community, these climate differences may affect responses on the survey.

One of the municipalities in the study has been surveyed in the past year which may impact the selected participants’ willingness to complete another survey.

It is unknown if the method of surveying will preclude the participation of any of the randomly selected city employees. Varying comfort levels with computers and on-line surveys may have an impact on completing the electronic survey. The consent form explains that an electronic survey cannot guarantee complete confidentiality. It is unknown if this will be a factor in any employee’s decision to participate or if it will affect any responses in the survey.

To assure confidentiality, demographics on the respondents are not being collected in this pilot study. Pelletier & Bligh (2006) did find that the age of the participant contributed

significantly to the prediction of ethics program effectiveness. Older employees perceived the ethics program as more effective than younger employees. Length of employment also had a positive correlation to ethics program effectiveness. Not collecting demographics may be a limitation to this study.

The effect of simply being in an ethics survey could affect results. If a respondent has pride in their city and wants to appear positive, this may affect results. Similarly, if a respondent does not want ethics training, they may answer items in a way that demonstrates that the city does not need ethics training.

If a relationship is shown between a comprehensive ethics and compliance program and employee's perception of a strong ethical culture, it is unknown if other factors may have contributed to the relationship beyond the factors studied.

## **Definition of Terms**

### **Comprehensive ethics and compliance program.**

According to the ERC (2008), a comprehensive ethics and compliance program includes all six of the following: a code of conduct, a way to report observed violations anonymously, a mechanism for employees to seek advice on ethical matters, training for all employees on code of conduct and ethics policies, a mechanism to discipline employees that violate the code or ethics policies, and evaluation of ethical behavior as a part of regular performance appraisals.

## **Ethics.**

From the Greek word, “ethiko,” ethics are the science of morals; the department of study concerned with the principles of human duty (OED online, 2011). Other common definitions of ethics include standards of conduct on two dimensions; what is right and what is good. Ethics can be defined as good and bad, moral duty and obligation, standards of right and wrong, principles of conduct, fairness and equity, based on values.

## **ERC.**

Ethics Resource Center, found at <http://www.ethics.org>. ERC is a nonprofit, nonpartisan research organization, dedicated to independent research that advances high ethical standards and practices in public and private institutions.

## **Misconduct.**

For the purposes of this research, misconduct includes conflicts of interest, abusive or intimidating behavior, lying to employees, discrimination, alteration of documents, alteration of financial records, misreporting hours worked, stealing, bribes, sexual harassment, lying to customers/vendors/public, putting own interests ahead of the organization (ERC, 2008).

## **Significance of the Study**

Little research exists regarding the effectiveness of ethics and compliance programs and their lasting impact on ethical culture in municipal government. With increasing scrutiny and demand for transparency in all government transactions, every employee’s commitment to ethical behavior matters. This pilot study will be looking at the existence of an ethics and compliance program and observations of misconduct, reporting of misconduct, and the

perception of the strength of ethical culture in municipal government. One of the municipalities has implemented a formal ethics and compliance program, where the other municipality has not. The results of this study may serve to guide the development and/or improvement of ethics and compliance programs in municipalities across the state and in other states.

## **Summary**

Patricia J. Harned, Ph.D., President of the Ethics Resource Center is quoted, “The American economy’s dislocation has been so severe, and the government’s strategy so massive and sweeping, that we are witnessing ethics issues never seen before here in the nation’s capital” (retrieved October 1, 2011 from <http://www.ethics.org/page/about-erc> ). Ethics issues are not limited to the federal government. Across our nation we are witnessing appeals for transparency and ethical behavior in our state and local governments, demanded by a skeptical citizenry who are pressing for accountability and wise use of resources.

Positive steps are being taken in educating and training employees, elected and appointed officials about ethical conduct. Governmental units are taking ethical matters seriously. However, little is known about the effectiveness or impact of trainings and compliance programs at the local level. To restore the public trust and to manage ethical risks, expanding our knowledge of effective means to achieve ethical behavior is critical. Research studies, such as the pilot study embarked on here, will provide new data and understanding of the impact ethics and compliance programs may have on ethical behavior and ethical culture in local government.

## **Chapter 2**

### **Literature Review**

The Pew Research Center (2010) conducts extensive studies of public attitudes toward the federal government (and state and local governments). Results are based on interviews from telephone surveys of nationwide samples of adults living in the United States. The Pew Research Center reports help to set the background for studying ethics and trust in government.

A clearing house for ethics research and national surveys on ethics is found within the Ethics Resource Center, at <http://www.ethics.org/>. Every two years, the Ethics Resource Center (ERC) conducts a National Business Ethics Survey (NBES). The last national study was conducted in 2009 and the 2011 survey is underway. Beginning in 2003, the ERC reported ethics outcomes associated with ethical behaviors of different employee groups such as supervisors. In 2007, the ERC developed scales for ethical culture and its components; the ethical actions of top management, supervisors, and coworkers. All scales exceeded a Cronbach's alpha value of .85, indicating high reliability. Factor analysis reveals that the questions consistently cluster together. The ERC also produces supplemental research briefs that identify issues from the NBES that warrant further exploration and discussion. In 2010, the ERC released six supplemental briefs which are included here. (1) Saving the company comes at a cost: The relationship between belt-tightening tactics and increased employee misconduct (ERC, February 2010) revealed that belt-tightening tactics are related to significant increases in the number of employees observing misconduct. (2) Millenials, gen X and baby boomers: Who's working at your company and what do they think about ethics (ERC, June 2010) demonstrated that American workers between the ages of 18 and 29 have more in common with older co-

workers when it comes to workplace ethics than often thought, but they also hold to some values that set them apart from their Baby Boomer counterparts. (3) The importance of ethical culture: Increasing trust and driving down risks (ERC, June 2010) documented that organizations with strong ethical values experience less misconduct, more frequent reporting of misbehavior and less retaliation on the job. (4) Ethics and employee engagement (ERC, July 2010) indicated that employees tend to respond to an ethical culture with improved company loyalty and a willingness to go the extra mile for their employer. (5) Retaliation: The cost to your company and its employees (ERC, August 2010) showed that fear of retaliation for speaking up about ethical violations in the workplace not only affects whether workers are willing to report wrongdoing to management, it drives the level of misconduct itself, and (6) Reporting: Who's telling you what you need to know, who isn't, and what you can do about it (ERC, September 2010) demonstrated that women and nonunion workers are more likely to report misconduct on the job (an important measure of an ethical workplace culture) and that an immediate supervisor, not a hotline, is likely to be the go-to point of contact.

The LRN (2007) research group conducts annual surveys of senior ethics, compliance, risk and audit professionals. The 2007 research report points to the need for a strong corporate culture to manage ethics and compliance risks. The report discusses a variety of ways that corporations teach ethics and compliance. Fear of retaliation and detection of violations presents a significant challenge for companies. A second 2007 study by the LRN focused on workplace productivity. Findings suggest that ethical lapses and questionable behaviors distract U.S. workers from their jobs. Nearly three in four of the surveyed Americans working full time said they encountered ethical lapses in the workplace. This study also suggested the need to develop corporate culture that values responsible conduct and defines appropriate behaviors for workers.

## **Measuring Ethics – Two Instruments**

McDaniel (1997) developed the *Ethics Environment Questionnaire* (EEQ), a 20-item survey designed to measure opinions of health-care providers about ethics in their clinical work. Internal consistency of the instrument using Cronbach's alpha is .93 and the test-retest is .88. The EEQ looks at ethics as a single factor. Later, Pelletier and Bligh (2006) drew from the EEQ and added additional factors to the study of ethics. They looked at formal ethics codes, decision-making processes, informal ethics norms, availability of organizational resources, and ethical leadership. The *Perceptions of Ethical Climate* survey contains 37 items and utilized 7 of the questions from the EEQ.

## **Ethical Culture and Ethical Leadership**

The organizational culture in which behavior takes places is gaining more attention in ethics discussions. The Ethics and Compliance Officer Association (ECOA, 2011) funded a research report that reflects the need to create a positive ethical culture, so that the broader environment does not fill that void in the absence of that direction. The report highlights the primary role that leaders play in the creation of the culture and climate (through modeling, coaching, and communication). The leader's ability to promote ethical conduct is critical in defining doing what is right within the organization. Research demonstrates that organizations committed to high ethical standards show positive correlations of cost reduction and enhanced performance to stronger ethical cultures (Waring, 2004). Additional research (Trevino, Weaver, Gibson & Toffler, 1999; Trevino, Butterfield & McCabe, 2001) connects positive ethical cultures to lower rates of observed misconduct, higher rates of reporting misconduct to leadership, reduced pressure to compromise standards, greater satisfaction with management's

response to misconduct, greater satisfaction to the organization as a whole, lowered exposure to situations involving misconduct, and an increased sense of preparedness to handle situations inviting misconduct. By measuring and managing cultural risks, leading companies not only reduce internal threats from misconduct, but they also boost productivity and performance (Griffin & Bradley, 2010). Finally, Wellspring (2006) discusses the relationship between ethical culture and satisfaction. Employees are more engaged and want to work in organizations that don't compromise their personal values. Improved ethical culture can enhance retention rates of valued employees.

### **Ethical Decision-Making**

Values drive decision-making (Lockwood, 2009). When confronted with ethical dilemmas, guidelines about ethical decision-making are valuable tools for employees. The guidelines provide a framework for learning and help to reinforce corporate values. Based on a solid foundation of clear values for ethical behavior, right decisions can be made which will lead to trust, fairness, transparency and compliance. Berman and West (2007) examined values management in municipal governments as it relates to minimizing ethical wrong-doing and enhancing responsiveness to customers, citizens, and fellow employees. Values management involves building and sustaining a shared set of beliefs among employees, formed through communication and education processes that supplement compliance functions. In practice, organizations often fail to specify right behavior, instead focusing on wrong conduct and the laws with which they must be in compliance.

## **Codes of Ethics**

Duggan and Woodhouse (2011) note that codes of ethics are often created in response to an ethical lapse. Their article, “A Code of Ethics That Packs a Punch” outlines a case study where a code of ethics was written from a bottom-up approach, involving employees at all levels of an organization. The authors note that no amount of training or guiding principles will guarantee the prevention of ethical violations. However, preventative efforts (training and communication of organizational expectations) will increase the odds of ethical conduct by employees. In its research on the impact of codes of conduct on corporate culture (LRN, 2006) the report finds that managers and employees make countless decisions that are based on the code. Three out of four people who work at an organization with a written code say that their code helps them understand the behaviors that are valued by the organization. More than eight out of ten employees apply their understanding of the code frequently on the job. Another study (Eivens, 2000) analyzed codes of ethics from 31 municipal governments. Eivens found enormous variation in the construction and quality of codes with regard to content. Montana municipalities are bound by the Code of Ethics found in the Montana Code Annotated (2-2-101 – 2-2-144). Although all government employees are bound by the Code of Ethics, few are given a copy at the time of hire.

## **Ethics Training Programs**

Trevino, et al (2001) discusses that if employees are aware of ethical and legal issues, they will be more likely to ask the right questions and do the right thing when faced with an ethical dilemma. Employees can do the wrong thing simply because they are unaware or do not know where to go for assistance on difficult matters. Maesschalck (2004) notes a continuum

between compliance and integrity which should guide ethics training development in the public sector. Compliance involves external controls on the behavior of public servants and often involves rules that employees choose to follow (right) or not (wrong). The integrity approach involves internal controls including moral judgment and moral character. This continuum points to the need to develop training programs that educate on codes of ethics and rules, as well as interactive training sessions to stimulate moral character and improve ethical decision-making. Berman & West (1994) had a similar perspective to Maesschalck. Training is shifting from minimizing wrong doing to building trust among employees and customers of public services. Additional research (Klugman et al, 2006; Frisque & Kolb, 2008) indicates that training does not change employee's values, but increases critical thinking and appreciating others' viewpoints, and heightens awareness of ethical issues and increases mindfulness of an employee's own behavior. Weber (2006) discusses what Duquesne University learned about their ethics initiative; that a commitment to ethics must be deeply embedded into the culture, that there must be widespread communication about the ethics initiative, that the training and leadership be centralized, that there is ownership among faculty and students, and that the program must be continually improved and updated. Jovanic & Wood (2008) assert that ethics training cannot take place just once in a training room, but needs on-going support at all levels of the organization. The training should include what ethics is, along with actual examples of relevant situations, and how to explore an ethical dilemma through interacting with others. The best ethics program will not create an ethical culture if management implemented the program to protect themselves from blame (Wah, 1999). Employees need to hear supervisors talk about ethics and act in ways that model ethical behavior. Frisque & Kolb (2008) underscore the importance of post-training support as a critical step in maintaining learned behaviors.

Highlighting Yahoo and their ethics training package, Finkel (2010) offers training as a form of risk reduction (in terms of litigation settlement) when employees inevitably do something they shouldn't have. With code of conduct training and ethics discussions, penalties imposed on the company may be greatly reduced. The authors noted that few ethics programs have been able to demonstrate that their programs achieved expected results. The Ethics Resource Center offers advice on next steps; designing an outcomes-based ethics and compliance program evaluation.

## **Chapter 2 Summary**

While extensive research exists on the topic of ethics, less information is available about ethics in the public sector and whether ethics training programs are effective in impacting behavior. A review of the literature points to the need for specific research on local governments for increased understanding in this area. Studying ethics in the business sector does not necessarily translate to the public sector. The organizational life cycle for a business differs from that of a local government. Where a company founder's leadership initially drives the organization and is highly influential, the company culture evolves as the organization grows and additional personnel and new leaders gain influence (ECOA, 2009). In government, leadership can change every two to four years, or remain the same for 30 years or more (in the absence of term limits). The personality of the leader can have a strong impact on a municipality or government arm. To avoid an ethics "pendulum," the formalization of an ethics program and communicating expectations for ethical employee behavior may assist in promoting transparency and consistent ethical decision-making for a local government.

## **Chapter 3**

### **Methods**

To determine the effects of a comprehensive ethics and compliance program on the ethical behavior of municipal employees, two First Class cities in Montana (a municipality with a population over 10,000 people) were selected for this pilot study. One of the cities, Bozeman, implemented an ethics program in 2008. The second city, Kalispell, does not have a formal ethics and compliance program in place (Appendix 1 lists each city's components of their ethics and compliance programs). A previously tested ethics survey, *Perceptions of Ethical Climate*, (Pelletier & Bligh, 2006) was used to measure the effects of the ethics program in one city in relation to another city where none exists. In addition, this research study was interested in determining the perceptions of employees about the ethical culture in their city, and whether ethical culture is a factor in employee behavior within the municipality.

### **Research Design**

The research design consisted of a 38-item survey that addressed the variables in the research questions. Specifically, a previously tested ethics survey, *Perceptions of Ethical Climate*, (Pelletier & Bligh, 2006) was used to measure the effects of the ethics program in one city in relation to another city where none exists. A Table of Specifications (Appendix 2) aligns the variables studied with the survey questions and research questions. The list of employees in two First Class cities in Montana was made available to the researcher to allow for the confidentiality of respondents and random selection for inclusion in the pilot.

## Participants

The participants for this study were the employees of two First Class cities in Montana. The City of Bozeman has 346 employees and the City of Kalispell has 181 employees (N=527). A sample size of 132 employees from both cities responded to the survey (n1=77 [Bozeman], n2=55 [Kalispell]). Employees were randomly selected from the total pool of city employees. The sample size of 132 allows for a 95% confidence level and a +/-7.4% confidence interval.

## Instruments/Data Collection

The instrument for this research study was an electronic survey (*Survey Monkey*) consisting of 38 items, requiring a yes/no response (3 items) or a Likert scale response (35 items). The *Perceptions of Ethical Climate* assessment (Pelletier & Bligh, 2006) consisted of items in eight scales and was developed to measure perceptions of ethics program effectiveness. The Pelletier & Bligh (2006) questionnaire is located in Appendix 3. The complete survey used for this pilot study is located in Appendix 4; some language changes were made to the survey to address specific city terminology. The survey was estimated to take 10 minutes to complete. To maximize confidentiality, there were no identifying demographics on the survey (such as gender, age, race, or city department). 35 items were presented on a seven-point Likert scale (7 = strongly agree, 1 = strongly disagree) with higher numbers representing higher levels of agreement.

Participation in the survey was voluntary and randomly selected employees could opt out of the survey by clicking on a button that reflected their option to not participate. In the case of a randomly selected employee choosing not to participate, a new randomly selected employee was

chosen from the pool. The survey began with an informed consent description that explained to employees the voluntary nature of the study and the study's purpose.

The *Perceptions of Ethical Climate* (Pelletier & Bligh, 2006) questionnaire was utilized for the survey, with an additional three items added to this pilot study. Pelletier & Bligh (2006) constructed this survey based on the work of McDaniel (1997) who earlier constructed the *Ethics Environment Questionnaire*. McDaniel's survey focused on a single factor of ethics, where Pelletier & Bligh's survey divides the concept of ethics into separate factors. Cronbach's (1951) coefficient alpha was calculated on each of the eight scales as an index of the internal consistency of scale items, as an estimate of reliability. The Ethics Code Awareness Scale consisted of six items ( $\alpha = .82$ ), Perceptions of Ethical Decision Making Processes Scale contained two items ( $\alpha = .55$ ). Perceptions of Ethical Resources Scale was divided into three smaller scales of time (three items,  $\alpha = .65$ ), financial resources (four items,  $\alpha = .90$ ) and ethical information provided by the organization (three items,  $\alpha = .83$ ). Perceptions of Informal Ethical Norms consisted of five items ( $\alpha = .82$ ), Perceptions of Ethical Leadership consisted of ten items ( $\alpha = .90$ ), and Perceptions of Ethics Program Effectiveness consisted of four items ( $\alpha = .79$ ). Full reporting on reliability measures may be found in Pelletier & Bligh's (2006) article on perceptions of ethics program effectiveness in a public sector organization. The measurement scales were originally piloted with 30 employees in the professional, administrative, and exempt bargaining units of a southern California large government agency. Fifteen managers provided qualitative comment on the assessment items.

For this study, the survey was reviewed by the staff at the Montana State University Local Government Center, three city officials from Bozeman, and two city officials from Kalispell.

## **Procedures**

Employees were randomly selected from the City of Bozeman's pool of 346 employees and from the City of Kalispell's pool of 181 employees. The randomly selected employees were emailed a link to the electronic survey by the researcher or, in Kalispell; employees without city email were mailed a paper copy of the survey with a stamped return envelope. Informed consent information and study purpose information were included. Participation in the survey was voluntary and employees could choose not to participate. Although the information and link were emailed directly to employees, employees were given the option to complete the survey on paper, rather than through electronic means. Employees were given one week to complete the survey. Additional employees were randomly selected if an employee chose not to participate.

## **Data Analysis**

An independent-samples *t* test was used to determine if City of Bozeman employees differed significantly from City of Kalispell employees on the survey items. Specifically the survey items 1 and 2 were compared by group to answer research questions 1 and 2. Research question 3 was answered by analyzing the responses of city employees with a comprehensive ethics and compliance program on item #38 and an independent-samples *t* test was calculated on the ethics program effectiveness cohort of items #35, 36, 36 and 38, comparing the mean score from Bozeman to the mean score of Kalispell. The fourth research question concerning ethical culture was answered by comparing city employee group responses from the *Perceptions of Ethical Climate* survey items that assess ethics code awareness (6 items), perceptions of ethical decision-making processes (2 items), perceptions of ethical resources scale (information – 3 items, time – 3 items and financial resources – 2 items), perceptions of informal

ethical norms (5 items), and perceptions of ethical leadership (10 items). Refer to Appendix 2, Table of Specifications.

### **Chapter 3 Summary**

This pilot study consisted of a 38-item survey that was completed by a random sample of employees in municipal government in two First Class cities in Montana. The purpose was to determine the effects of a comprehensive ethics and compliance program for one First Class city who had implemented a formal program in comparison to another First Class city who had not implemented a comprehensive ethics program.

The survey was distributed to randomly selected employees via an electronic *Survey Monkey* (or a paper survey). The research was conducted by Montana State University and all communications with employees were made directly by the researcher (no involvement by city staff). A description of the voluntary nature of the research that explained informed consent prefaced the survey. Employees could decide to withdraw from participation at any time during the survey process.

The *Survey Monkey* software was the source for data collection. The researcher had the only access to the survey monkey data. Employees were contacted directly by the researcher by city email address or city mail box. Results were analyzed by independent-samples *t* test scores for variables that answer the four research questions in the study.

## **Chapter 4**

### **Results**

The purpose of this research study was to determine the effects of a comprehensive ethics and compliance program in one city where an ethics program has been implemented in comparison to a second city where no formal ethics program exists. Seventy-seven employees responded to the survey in Bozeman and 55 responded to the survey in Kalispell (25% of the total study population). The sample size of 132 resulted in a confidence level of 95% and a confidence interval of  $\pm 7.4\%$ .

Reliability for the survey was calculated. Cronbach's alpha was .939, indicating high reliability (Table 1). Variable means and standard deviations were calculated on each survey item. An independent-samples *t* test was conducted comparing the mean scores of Bozeman city employees to the mean scores of Kalispell city employees on each of the 38 items, in addition to the ethical cohort items clustered in the survey.

Table 1.

*Cronbach's alpha*

Ethics Cohort	Cronbach's alpha	N of items
Complete survey	.939	38
Ethics Program Effectiveness	.879	4
Ethics Code Awareness	.864	6
Perceptions of ethical decision-making processes	.378	2
Perceptions of ethical resources scale – information	.921	3
Perceptions of ethical resources scale - time	.859	3
Perceptions of ethical resources scale – financial	.862	2
Perceptions of informal ethical norms	.491	5
Perceptions of ethical leadership	.912	10

**Research Question 1**

Do employees of municipal governments with ethics and compliance programs observe a significantly lower rate of misconduct than municipal governments who do not have such programs in place?

An independent-samples *t* test was calculated comparing the mean score of city employees of Bozeman to the mean score of city employees of Kalispell (Table 2). No significant differences were found,  $t(125) = -.609$ ,  $p > .05$ ,  $d = .11$ . The mean of Bozeman ( $m = 1.64$ ,  $sd = .48$ ) was not significantly different from the mean of Kalispell ( $m = 1.69$ ,  $sd = .47$ ).

The employees of Bozeman do not observe a significantly lower rate of misconduct than the employees of Kalispell.

Table 2.

*Observations of misconduct in the past six months*

City	N	Mean	SD	<i>t</i>	df	sig	<i>d</i>
Bozeman	75	1.6400	.48323				
Kalispell	52	1.6923	.46604	-.609	125	.544	.11

## Research Question 2

Do employees of municipal governments with ethics and compliance programs demonstrate a significantly higher rate of reporting misconduct than municipal governments who do not have such programs in place?

An independent-samples *t* test was calculated comparing the mean score of city employees of Bozeman to the mean score of city employees of Kalispell (Table 3). No significant differences were found,  $t(124) = -.661$ ,  $p > .05$ ,  $d = .12$ ). The mean of Bozeman ( $m = 1.86$ ,  $sd = .34$ ) was not significantly different from the mean of Kalispell ( $m = 1.90$ ,  $sd = .30$ ). The employees of Bozeman do not demonstrate a significantly higher rate of reporting misconduct than the employees of Kalispell.

Table 3.

*Reporting of observed misconduct in the past six months*

City	N	Mean	SD	<i>t</i>	df	sig	<i>d</i>
Bozeman	75	1.8649	.34420				
Kalispell	52	1.9038	.29768	-.661	124	.510	.12

### Research Question 3

Do employees of a municipal government with an ethics and compliance program in place perceive the ethics program as effective?

Looking solely at the Bozeman responses (the city with a formal ethics program in place), the mean response to item #38, “the ethics program has been effective,”  $m = 4.16$ . On the Likert scale of 7 (strongly agree) to 1 (strongly disagree), the numerical value of 4 represented a neutral response of “neither agree nor disagree.” Bozeman city employees indicate a close to neutral response (slightly positive) in rating the effectiveness of the ethics program (Table 4). Bozeman employees rate a somewhat higher response to items #35 and #36, “The Board of Ethics handles concerns and inquiries in a confidential manner” ( $m = 4.5$ ,  $sd = 1.0$ ), and “The City instituted the Board of Ethics because it is truly concerned about ethical standards” ( $m = 4.26$ ,  $sd = 1.69$ ). These means reflect a response somewhere between neutral and somewhat agree. On item #36, “The creation of the Board of Ethics has increased my trust in the City” ( $m = 3.69$ ,  $sd = 1.57$ ) indicates a response between neutral and somewhat disagree. Kalispell does not have a Board of Ethics, so items #35, 36, 37 are not relevant to Kalispell on an individual item basis.

Table 4.

*Descriptive Statistics for the ethics program effectiveness cohort, items #35, 36, 37, 38*

Item	City	N	Mean	SD
#35. The Board of Ethics handles concerns and inquiries in a confidential manner	Bozeman	74	4.5000	1.01022
	Kalispell	47	3.7660	1.04700
# 36. The creation of the Board of Ethics has increased my trust in the City	Bozeman	74	3.6892	1.56962
	Kalispell	48	3.3750	1.12278
#37. The City instituted the Board of Ethics because it is truly concerned about ethical standards	Bozeman	74	4.2568	1.68848
	Kalispell	48	3.4583	1.12908
#38. The Ethics Program is effective	Bozeman	75	4.1600	1.48906
	Kalispell	47	3.6809	1.19975

An independent-samples *t* test comparing the mean ethics program effectiveness cohort scores (items #35, 36, 37, 38 – see Table 5) found that the Bozeman group was significantly higher ( $m = 4.14$   $sd = 1.25$ ) than the mean of the Kalispell group ( $m = 3.60$   $sd = .91$ ),  $t(115) = 2.739$ ,  $p < .05$ ,  $d = .50$ ). The employees of Bozeman perceive the overall effectiveness of the ethics program significantly higher than the employees of Kalispell. It is important to note that Kalispell does not have a formal ethics program in place and does not have a Board of Ethics.

#### **Research Question 4**

Do employees of municipal governments with ethics and compliance programs perceive a stronger ethical culture in their work environment than employees of municipal governments who do not have a formal ethics program in place?

To answer this research question, the survey items were arranged into clusters of ethical cohorts (Table 5).

Table 5.

*Ethics cohorts in study; ethics code awareness, perceptions of ethical decision-making process, perceptions of ethical resources scales, perceptions of informal ethical norms, perceptions of ethical leadership*

Ethics Cohort	City	N	Mean	SD	<i>t</i>	df	sig	<i>d</i>
Ethics Code Awareness	Bozeman	74	5.7590	.89185	4.357	69	.000	.87
	Kalispell	47	4.7518	1.41672				
Perceptions of ethical decision-making process	Bozeman	75	5.6067	1.32617	1.252	124	.213	
	Kalispell	51	5.3137	1.23272				
Perceptions of ethical resources scale – information	Bozeman	74	5.2027	1.35689	3.194	123	.002	.57
	Kalispell	51	4.3464	1.62749				
Perceptions of ethical resources scale – time	Bozeman	75	5.4133	1.26496	.857	122	.393	
	Kalispell	49	5.1973	1.52437				
Perceptions of ethical resources scale – financial	Bozeman	75	4.1200	1.66409	1.384	122	.169	
	Kalispell	49	3.6939	1.69502				
Perceptions of informal ethical norms	Bozeman	75	3.8533	.96609	.986	123	.326	
	Kalispell	50	3.6720	1.06657				
Perceptions of ethical leadership	Bozeman	75	4.9667	1.27728	.298	120	.766	
	Kalispell	47	4.8979	1.18147				
Ethics program effectiveness	Bozeman	74	4.1453	1.24898	2.739	115	.007	.50
	Kalispell	46	3.6033	.91223				

As discussed earlier, a comparison of the mean scores of the Ethics Program Effectiveness cohort demonstrated a significantly more effective ethics program in Bozeman than in Kalispell. There were two other significant findings in the ethics cohort analysis; Ethics Code Awareness and Perceptions of Ethical Resources Scale for Information (Table 5).

An independent-samples *t* test comparing the mean scores of Bozeman and Kalispell found a significant difference between the means of the two groups for the cohort of Ethics Code Awareness,  $t(69) = 4.357, p < .05, d = .87$ ). The mean Awareness cohort score of the Bozeman group was significantly higher ( $m = 5.76, sd = .89$ ) than the mean of the Kalispell group ( $m = 4.75, sd = 1.42$ ). Bozeman employees responded that they have read the code, understand the code, understand what the organization expects of them in terms of ethical behavior, know that policies exist to guide ethical decisions, and use the ethics guides in decision making to a significantly higher degree than the Kalispell employees.

An independent-samples *t* test comparing the mean scores of Bozeman and Kalispell found a significant difference between the means of the two groups for the cohort of Perceptions of Ethical Resources Scale – Information,  $t(123) = 3.194, p < .05, d = .57$ ). The mean Perceptions of Information cohort of the Bozeman group was significantly higher ( $m = 5.20, sd = 1.36$ ) than the mean of the Kalispell group ( $m = 4.34, sd = 1.63$ ). In comparison to Kalispell employees, Bozeman employees demonstrated significantly more favorable perceptions about access to staff identified for ethics assistance when they want to ask questions about ethics, about how easy it is to get help from these staff, and about the availability of the staff when needed.

The mean scores for the remaining ethics cohorts, including Perceptions of Ethical Decision-making Process, Perceptions of Ethical Resources Scales for Time and Money,

Perceptions of Informal Ethical Norms, and Perceptions of Ethical Leadership, showed no significant differences between the mean cohort scores for City of Bozeman employees and City of Kalispell employees.

Results of each of the 38 survey items, with their means and standard deviations will be made available to each city in the study (along with the responses from the one open-ended comment box at the conclusion of the survey). The cities may wish to consider the mean scores and their interpretation of the scores in planning for ethics related program implementation.

#### **Chapter 4 Summary**

The City of Bozeman, with a formal ethics program implemented in 2008, showed significant differences from the City of Kalispell, with no formal ethics program in place, on 3 measures including Ethics Program Effectiveness, Ethics Code Awareness, and Perceptions of Ethics Resources Scale – Information. There were no significant differences between the mean scores of Bozeman employees and Kalispell employees on Ethical Decision-Making, Perceptions of Ethical Resources Scale – Time and Money, Perceptions of Informal Ethical Norms, and Perceptions of Ethical Leadership. Independent-samples *t* tests were calculated to compare the mean scores of the Bozeman employees to the Kalispell employees on each of 38 items in the survey, and the cluster of ethics cohorts defined in the pilot study.

The Ethics Resource Center (2008) demonstrates that well-implemented ethics and compliance programs double reporting and lower the rate of misconduct (ERC, 2008). The results from this study have not shown a significant difference in observations of misconduct or reporting of misconduct between a city with a formal ethics program versus a city without a formal ethics program.

## **Chapter 5**

### **Discussion**

In 2008, the citizens of Bozeman, Montana voted on a city charter revision that prescribed an ethics agenda, resulting largely from publicized ethical violations of city leaders in preceding years. The 2008 city charter reads, “the city commission shall...establish an independent board of ethics... (and) provide annual training and education of city officials, city boards, and employees regarding the state and city ethics codes” (City of Bozeman, 2008). Following the passage of the 2008 charter, the city of Bozeman established the Board of Ethics and has provided ethics training to its employees in 2009 and 2010-2011. With the recent implementation of an ethics program in one city, this pilot research study was designed to determine if the implemented program is making any difference.

While the city of Bozeman instituted its formal ethics program after the revisions to the Bozeman city charter were approved by voters in January of 2008, the city of Kalispell does not have a formal ethics program (Appendix 1 highlights ethics program components that currently exist in each city). This study surveyed a random sample of city of Bozeman employees and city of Kalispell employees to determine if any significant differences exist in ethical behavior and ethical culture in these two First Class cities in Montana. Specifically, observations of misconduct, reporting misconduct, and perceptions of ethical climate were researched.

Research has shown that well-implemented ethics and compliance programs double reporting and lower the rate of misconduct (ERC, 2008). A strong ethical culture also increases reporting and cuts misconduct in half (ERC, 2010). When both a well-implemented ethics and compliance program and a strong ethical culture are in place, misconduct drops by 60% and

reporting rises by 40% (ERC, 2008). In the case of Bozeman and Kalispell, it was hypothesized that there would be a significant difference in the two cities in these areas. However, no significant differences were determined between Bozeman and Kalispell regarding observations of misconduct and reporting of misconduct. This research study cannot determine why there were no significant differences in observations or reporting of misconduct between one municipal government with a formal ethics program versus one without a formal ethics program, but it does set the stage for further research. Previous research (Trevino, Weaver, Gibson & Toffler, 1999; Trevino, Butterfield & McCabe, 2001) connects positive ethical cultures to lower rates of observed misconduct, higher rates of reporting misconduct to leadership, reduced pressure to compromise standards, greater satisfaction with management's response to misconduct, greater satisfaction to the organization as a whole, lowered exposure to situations involving misconduct, and an increased sense of preparedness to handle situations inviting misconduct. Since there were no significant differences between the two cities in this study in observations of misconduct and reporting of misconduct, the ethical culture in which misconduct occurs gained increased attention. The formal ethics program implemented by the City of Bozeman had not translated into behavioral results around observations of misconduct and reporting of misconduct among city employees.

Beyond the behavioral measurements of observations of misconduct and reporting misconduct, significant differences between the employees of Bozeman and Kalispell were discovered through the use of 38-item electronic Survey Monkey (paper surveys were available to those who did not have city email). Seventy-seven city of Bozeman employees responded to the survey and 55 city of Kalispell employees responded ( $n = 132$  employees out of a possible

population, N = 527, total employees in both cities). Results were reported with a 95% confidence level and a +/- 7.4% confidence interval.

Bozeman employees rated the ethics program effectiveness very close to neutral, indicating a weak positive response to the program. Although the Bozeman ratings were close to neutral, they still demonstrated a significantly more effective ethics program than in Kalispell. As Kalispell does not have a formal ethics program, these results are not surprising. One Bozeman employee stated, "The ethics program is important in reinforcing the concepts, but I am not sure you can change immoral behaviors." One of Kalispell's employees indicated in the open comment box that they would like to see ethics training and ethics discussions among city employees there, stating "I have seen ethics policies in another city and watched it work. It was good to see the council in that City abide to it. It would be great if Kalispell would teach more about this and then follow the guidelines. It really helps morale in my opinion."

Bozeman employees responded that they have read the code, understand the code, understand what the organization expects of them in terms of ethical behavior, know that policies exist to guide ethical decisions, and use the ethics guides in decision making to a significantly higher degree than the Kalispell employees (Ethics Code Awareness cohort). Duggan & Woodhouse (2011) noted that preventative efforts (training and communication of organizational expectations) increase the odds of ethical conduct by employees. The LRN (2006) found that managers and employees make countless decisions based on the code of ethics. Three out of four people who work at an organization with a written code say that their code helps them understand the behaviors that are valued by the organization. More than eight out of ten employees apply their understanding of the code frequently on the job. Trevino, et al (2001) demonstrated that if employees are aware of ethical and legal issues, they will be more likely to

ask the right questions and do the right thing when faced with an ethical dilemma. Employees can do the wrong thing simply because they are unaware or do not know where to go for assistance on difficult matters. The first two years of ethics training in Bozeman focused strongly on the State and City ethics codes and defining misconduct. The results of this study indicate that these trainings have been effective in these areas.

In comparison to Kalispell employees, Bozeman employees demonstrated significantly more favorable perceptions about access to staff identified for ethics assistance when they want to ask questions about ethics, about how easy it is to get help from these staff, and about the availability of the staff when needed (Ethical Resources Scale – Information). This should also be good news to the city of Bozeman. The creation of the Ethics Handbook and the annual training provided has effectively instructed employees in this area.

The mean scores for the remaining ethics cohorts, including Perceptions of Ethical Decision-Making Process, Perceptions of Ethical Resources Scales for Time and Money, Perceptions of Informal Ethical Norms, and Perceptions of Ethical Leadership, showed no significant differences between the mean cohort scores for City of Bozeman employees and City of Kalispell employees. While Bozeman city employees are aware of and understand the state and city codes of ethics, this has not translated into significant differences in perceptions of ethical decision-making, informal ethical norms, or ethical leadership demonstrated by top leadership in the City. A Denver study (Jovanic, 2007) pointed to the need to include a variety of interventions to address ethical culture from a systems and communications perspective. The first two years of ethics trainings in Bozeman have largely focused on the code and how to access staff for assistance in ethical situations. Future trainings may need to move to discussions of organizational values and scenario-based exercises to broaden the context beyond the code.

The ECOA (2011) report highlights the primary role that leaders play in the creation of the culture and climate (through modeling, coaching, and communication). The leader's ability to promote ethical conduct is critical in defining doing what is right within the organization. Wah (1999) noted that the best ethics program will not create an ethical culture if management implemented the program to protect them from blame. Employees need to hear supervisors talk about ethics and act in ways that model ethical behavior. One Bozeman employee noted, "City Administration is supposed to set the standard. If their actions are what is expected of us, we are in BIG trouble." And, "I feel like our Upper Management are not to be trusted. They take care of each other but not those of us that do the labor and keep the city literally running." These examples of employee attitudes as a result of interaction with city leaders must be addressed for the ethical climate to change.

When interpreting the results from the survey, some trends in the results are worthy of note. These are areas where the cities were not statistically different. Employees in both cities showed low concern about retaliation if they did report misconduct. Additionally, they also demonstrated support for their immediate supervisors, indicating that they can discuss ethical issues with them, consult with them about ethical dilemmas, and that they believe their supervisors are good examples of ethical behavior. Employees in both cities rated the top leadership as concerned with ethical practice. Both sets of employees believe that ethical concerns are heard in their specific departments.

However, employees from both cities had less favorable impressions about whether the city is willing to do the right thing no matter the financial costs. They also leaned negative about whether the city rewards employees for ethical behavior. Employees from both cities were close to neutral about personnel decisions (hiring and promotions) reflecting ethical principles.

## **Recommendations for Further Research**

Future research is recommended for specific content for effective training and how to best impact ethical behavior. Bozeman ethics trainings have included employees at all levels for instruction. Additional research may explore whether the training of supervisors and organizational leaders ought to be done in a separate setting from the direct line employees. The key role of leaders in the development and maintenance of ethical culture may warrant specific training to those who supervise and lead. The lack of significant differences in the two city employee groups may serve as a guide to future training on ethics, where the results were less favorable in creating an ethical culture (including some personal comments shared in the closing comment box).

Frisque & Kolb (2008) documented that ethics training had a significant effect on employee's attitudes and knowledge, but that the training was not significantly effective over a period of time (after ninety days in their study). Future research could explore the desired frequency of training and the time from ethics program implementation to behavioral results. Frisque & Kolb underscore the importance of post-training support as a critical step in maintaining learned behaviors. Research could also explore what kind of post-training support is most effective.

Additional research may help to determine the most effective combination of education on code, discussion of organizational values, and scenario-based training to encompass the larger picture of ethics in government. Berman & West (1994) stated that organizations often fail to specify right behavior, instead focusing on wrong conduct and the laws with which they must be in compliance. Jovanic & Wood (2008) assert that ethics training cannot take place just once in

a training room, but needs on-going support at all levels of the organization. The training should include what ethics is, along with actual examples of relevant situations, and how to explore an ethical dilemma through interacting with others.

Additional research may also assist in determining other aspects of ethical environment that need attention, beyond training. What are the specific steps a municipal government should take in creating and maintaining an ethical environment over time and when can behavioral results (observations of misconduct and reporting misconduct) be expected after implementation of such programs?

### **Limitations**

The sample size generated by this study resulted in a +/- 7.4% confidence interval. A larger sample size would allow for more confidence in generalizing the results to the entire city staff population. Statements from the comment box provided at the end of the survey indicated a concern that responses to the survey may be held against them if their opinions could be traced back to them.

In addition, 5 respondents checked the “no” box at the beginning of the survey (indicating that they did not wish to participate in the survey), and exited the survey. This may indicate a concern about confidentiality or retaliation for candid responses to the survey. Fear of retaliation presents a significant challenge for companies (LRN, 2007).

### **Conclusions**

In their report, *Ethical Culture Building: A Modern Business Imperative*, the Ethics and Compliance Officer Association (ECOA, 2007) defines an effective program as one that

promotes “an organizational culture that encourages ethical conduct and a commitment to compliance with the law” (abstract page). Employees must be provided with appropriate tools and leadership models to align their behavior with the organizational culture and to engage in ethical behavior.

This small pilot research study demonstrated that the implementation of a formal ethics program does make a significant difference within a time period of several years, specifically in the area of ethics code awareness, perceptions of ethics program effectiveness and perceptions of access to ethics information. However, more needs to be done to ensure the development of the ethical culture of a municipal government that will lead to increased transparency, trust and citizen service.

The current pilot study warrants additional research into the effects of ethics programs on behavior in municipal government. The results from this pilot study may be useful in guiding ethics programs in municipal governments across Montana, and outside of Montana.

## **Chapter 5 Summary**

Three years after the implementation of a formal ethics program as a result of citizen-led city charter revisions, the City of Bozeman has demonstrated significant differences in ethics code awareness, perceptions of ethics program effectiveness, and perception of ethical resource information in comparison to another first class city in Montana without a formal ethics program.

It is no small feat that City employees have read the code, understand the code, understand what the organization expects of them in terms of ethical behavior, know that policies

exist to guide ethical decisions, and use the ethics guides. The City of Bozeman should recognize the gains they have made in the area of code awareness and in defining the paths of access to ethics advice within the City.

Still, there is work to be done on ethical culture building and the role of leaders in modeling behavior. Future areas for focus in the ethics program may include tying performance evaluations to ethical behavior, rewarding ethical behavior, training city leaders on their important role in defining ethical culture, and enhancing ethics discussions and communications within the City.

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## Appendix 1.

### *Ethics and compliance program components*

ERC (2008) components of a comprehensive ethics and compliance program	Bozeman	Kalispell
Ethics training for all employees	Annual ethics trainings to all employees, elected officials and appointed officials	Periodic training as needed Group discussions in work areas as impacted
Code of Conduct or Code of Ethics in place	Code of Ethics – State and City-specific  Specific Ethics Handbook distributed to all employees, elected officials and appointed officials	Code of Ethics - State  Ethics covered in Personnel Handbook
Evaluation of ethical behavior as part of regular performance appraisal	Evaluation of ethical behavior (City core values) as part of performance evaluation	As part of performance evaluation if issues are present
Mechanism to report misconduct anonymously	Whistle-blower policy defined; mechanism to report ethical violations defined	
Mechanism to discipline employees	Mechanism to discipline employees and Independent Board of Ethics established	Mechanism to discipline employees
Mechanism to see advice on ethics-related matters	Ethics resource staff identified for guidance	

## Appendix 2.

### *Table of specifications*

Factors	Survey Questions	Research Questions
Observations of Misconduct	1	1
Reporting Misconduct	2	2
Perceptions of ethics program effectiveness	35, 36, 37, 38	3
Ethics code awareness	4, 5, 6, 7, 8, 9	4
Perceptions of ethical decision-making processes	10, 11	4
Perceptions of ethical resources scale		
Information	12, 13, 14	4
Time	15, 16, 17	4
Financial Resources	18, 19	4
Perceptions of informal ethical norms	20, 21, 22, 23, 24	4
Perceptions of ethical leadership	25, 26, 27, 28, 29, 30, 31, 32, 33, 34	4

## Appendix 3.

### *Perceptions of Ethical Climate* assessment (Pelletier & Bligh, 2006)

#### **Ethics code awareness**

1. When a decision has ethical implications, the organization's ethics policy guides me in my decision-making process
2. I have read the organization's ethics code
3. I understand what the organization expects of me in terms of ethical behavior
4. I understand the content of the ethics code
5. When I was hired, the ethical expectations of the organization were communicated to me
6. Policies exist that describe how the organization expects its employees to make ethical decisions

#### **Perceptions of ethical decision-making processes**

1. When faced with an ethical conflict at work, I seek guidance to determine possible consequences of my decision
2. When faced with making a decision that has an ethical implication, I feel I can discuss the matter with my immediate Supervisor

#### **Perceptions of ethical resources scale**

##### **Information**

1. There is an Ethics Resources Office available to me if I want to ask questions about ethics
2. It is easy to get help from the Ethics Resources Office
3. The ethics officer is available when I need help

##### **Time**

1. In the course of my workday, I have felt time pressures that have led to unethical decision making (R)
2. In this organization, there are many instances where ethical decision making is sacrificed due to time constraints (R)
3. Time pressures affect my ability to thoroughly evaluate ethical dilemmas (R)

##### **Money**

1. This organization makes ethical decisions even in times of budgetary constraints
2. This organization is willing to do the right thing even if it costs more money
3. This organization makes ethical decisions even if it might result in reduced funding
4. This organization will do the right thing no matter the financial costs

#### **Perceptions of informal ethical norms**

1. The organization rewards employees who exhibit ethical behavior
2. Personnel decisions (hiring and promotion) in this organization reflect ethical principles
3. In my opinion, employee concerns about ethical issues are not "heard" in my department (R)
4. If I reported a colleague for an ethical violation, there would be retaliation against me (R)
5. If I were to have an ethical concern, I know I would be supported in this organization

**Perceptions of ethical leadership**

1. The top leadership of this organization is concerned with ethical practice
2. I feel comfortable consulting with my immediate supervisor when I have to make a tough ethical decision
3. Top leadership places an equal value on productivity, quality, and ethical practice
4. Moral concerns are given top priority by the organization's top leaders
5. My immediate supervisor sets a good example of ethical behavior
6. Top leadership works quickly to resolve ethical issues
7. My immediate supervisor looks the other way when employees make unethical decisions (R)
8. Top leadership provides employees with ethical guidance when it is needed
9. The organization's top leadership routinely strives to make decisions that are ethical
10. If I reported one of my fellow employees for an ethics violation, my immediate supervisor would support me

**Perceptions of ethics program effectiveness**

1. The Ethics Resources Office handles concerns and inquiries in a confidential manner
2. The creation of an Ethics Resources Office has increased my trust in the organization
3. The organization instituted the Ethics Resources Office because it is truly concerned about ethical standards
4. The Ethics Program is effective

Note: Respondents indicated their level of agreement with all items on the following Likert scale: "1" = Strongly disagree, "2" = Disagree, "3" = Somewhat disagree, "4" = Neither agree or disagree, "5" = Somewhat agree, "6" = Agree, and "7" = Strongly agree.

Items designated with (R) were reverse coded.

#### Appendix 4.

*Survey used with two First Class cities for this pilot study*

##### **Survey items used for pilot study:**

- |   |        |
|---|--------|
| 1. In the past 6 months, I have observed misconduct on the job              | YES/NO |
| 2. In the past 6 months, I have reported misconduct I observed on the job   | YES/NO |
| 3. I have received training on the Code of Ethics for my work with the City | YES/NO |
- 
4. When a decision has ethical implications, the City's ethics policy guides me in my decision-making process
  5. I have read the City's ethics code
  6. I understand what the City expects of me in terms of ethical behavior
  7. I understand the content of the ethics code
  8. When I was hired, the ethical expectations of the City were communicated to me
  9. Policies exist that describe how the City expects its employees to make ethical decision
  10. When faced with an ethical conflict at work, I seek guidance to determine possible consequences of my decision
  11. When faced with making a decision that has an ethical implication, I feel I can discuss the matter with my immediate Supervisor
  12. There are Ethics Resources available to me if I want to ask questions about ethics
  13. It is easy to get help from the Ethics Resources that exist
  14. The staff identified for ethics assistance is available when I need help
  15. In the course of my workday, I have felt time pressures that have led to unethical decision making (R)
  16. In the City, there are many instances where ethical decision making is sacrificed due to time constraints (R)
  17. Time pressures affect my ability to thoroughly evaluate ethical dilemmas (R)
  18. The City makes ethical decisions even in times of budgetary constraints
  19. The City will do the right thing no matter the financial costs
  20. The City rewards employees who exhibit ethical behavior
  21. Personnel decisions (hiring and promotion) in the City reflect ethical principles
  22. In my opinion, employee concerns about ethical issues are not "heard" in my department (R)
  23. If I reported a colleague for an ethical violation, there would be retaliation against me (R)
  24. If I were to have an ethical concern, I know I would be supported by the City
  25. The top leadership of the City is concerned with ethical practice
  26. I feel comfortable consulting with my immediate supervisor when I have to make a tough ethical decision
  27. Top leadership places an equal value on productivity, quality, and ethical practice
  28. Moral concerns are given top priority by the City's top leaders
  29. My immediate supervisor sets a good example of ethical behavior
  30. Top leadership works quickly to resolve ethical issues
  31. My immediate supervisor looks the other way when employees make unethical decisions (R)
  32. Top leadership provides employees with ethical guidance when it is needed

- 33. The organization's top leadership routinely strives to make decisions that are ethical
- 34. If I reported one of my fellow employees for an ethics violation, my immediate supervisor would support me
- 35. The Board of Ethics handles concerns and inquiries in a confidential manner
- 36. The creation of the Board of Ethics has increased my trust in the City
- 37. The City instituted the Board of Ethics because it is truly concerned about ethical standards
- 38. The Ethics Program is effective

Note: Respondents indicated their level of agreement with items 4-38 on the following Likert scale: "1" = Strongly disagree, "2" = Disagree, "3" = Somewhat disagree, "4" = Neither agree or disagree, "5" = Somewhat agree, "6" = Agree, and "7" = Strongly agree

Items designated with (R) were reverse coded

Items 4-38 are taken from Pelletier & Bligh (2006) *Perceptions of Ethical Climate* survey